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Russia Introduces New Fees to Retailers in Large Cities

Report Categories:

Agriculture in the Economy

Agriculture in the News

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Report Highlights:

Russian President Vladimir Putin recently signed a law amending the Tax Code that enables the introduction of a new trading fee for retailers in the federal cities (Moscow, St. Petersburg and Sevastopol). The tax is paid by organizations and individual entrepreneurs, except for those working on the patent system of taxation. The new trading fee may be introduced in the federal cities after July 1, 2015. The Association of Retail Companies (ACORT) officially asked Vladimir Putin to veto the Law which is unlikely as he has publically stated that the new fees are necessary since retailers pay almost nothing in taxes to local budgets.

General Information:

Russian President Vladimir Putin signed a law recently amending the Tax Code that enables to introduce a new trading fee for retailers in the federal cities (Moscow, St. Petersburg and Sevastopol). According to the official Kremlin website, the new trading fee may be introduced in the federal cities no earlier than July 1, 2015. The statement also reports that the trading fee may be introduced in municipalities which are not included in federal cities only after the adoption of a special federal law.

Moscow City Duma members passed the final version of the Law on trading fees on December 17. The law calls for the imposition of the trade fees for non-stationary objects of trade with sales area less than 50 square meters and shops without trading area (kiosks, street tents, etc.) from 113,400 rubles to 324,000 rubles per year depending on the area. For retail stores with a trade area more than 50 square meters, the fees will range from 84,000 rubles to 240,000 rubles per year. For larger stores, the same fees are applicable to which 200 rubles are added for each meter in excess of 50. (Note: December, 17, 2014 exchange rate was 1 US dollar = 61.25 rubles). The fee will also depend on the store location and the type of business activity and will not depend on the size of profit. Organizations that sell their products at trade fairs or through vending machines will be exempt from additional trade fees.

The introduction and development of the new law started in the State Duma in early November 2014. Initially, it was assumed that the law will affect more than 20 types of services including retail trade, laundries, car repair and maintenance shops, hairdressers and others. According to the Law, companies should must pay fees from 6,000 rubles to 600,000 rubles once a quarter. While municipalities were given the right to raise these rates up to 10 times that amount. Needless to say, the new legislative initiative has raised concerns in the business community. After several adjustments, it appears that the law will only affect retail trade in the three cities that fall under federal jurisdiction: Moscow, St. Petersburg and Sevastopol. President Putin, commenting the law, said that there was a need to charge new fees due to the fact that retail chains pay almost nothing in taxes to local budgets.

A group of deputies of the State Duma asked the Federation Council to reject the law. The statement they sent to Head of the Federation Council Valentina Matvienko stated: "We believe that under current conditions of economic crisis compounded by the complex geopolitical situation, falling oil prices, the decline in real disposable incomes and consumer demand, that the imposition of additional taxes and fees will significantly worsen the conditions of small business activities".

Nevertheless, on November 26, 2014, Russian senators almost unanimously approved the new law. The Association of Retail Companies (ACORT) officially asked Vladimir Putin to veto the law should it become adopted. According to ACORT representatives, "The law actually violates Putin's decision of not increasing the tax burden for the non-primary sector of the economy until 2018". In addition, retailers say the law violates the basic principles of State tax policy as employers will have to pay fees before receiving their first profits. However, President Putin's assistant Andrei Belousov made it very clear that retailers shouldn't expect a veto. According to him: "The law will be implemented in order to make all companies come out of the shadow." (Source: RBC).

